

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 8/9 — August/September 1985

Recent economic trends

*In this number:
EMS realignment in July 1985*

Output accelerates in second quarter. — On the basis of estimates for the four largest Member States, the gross domestic product of the Community rose by 4,1 % in real terms in the second quarter (seasonally adjusted quarter to quarter rise expressed at an annual rate) after a first quarter (–0,6 %) which was significantly depressed by the cold spell at the beginning of the year.

In the *Federal Republic of Germany* gross national product grew by 5,6 % (s.a.a.r.) more than reversing the fall of 4,6 % recorded in the first quarter. All components of domestic demand, except stockbuilding, contributed to this increase with gross fixed investment particularly buoyant (+26,6 %) and consumption recovering from the declines of the first quarter and the final quarter of 1984. The foreign balance contributed 3,5 percentage points to GDP growth as exports accelerated and imports were virtually unchanged.

Gross domestic product in *France* was also buoyant in the second quarter, growing by 2,3 % (s.a.a.r.) after small declines in the previous two quarters. The foreign balance contributed to growth again as exports grew by 2,6 % and imports were virtually unchanged. The principal contribution to growth in domestic demand came from a sharp turnaround in stock building which added 1 percentage point to growth. Investment too was a contributory factor, rising by 2,3 %, the first rise recorded for a year and a half.

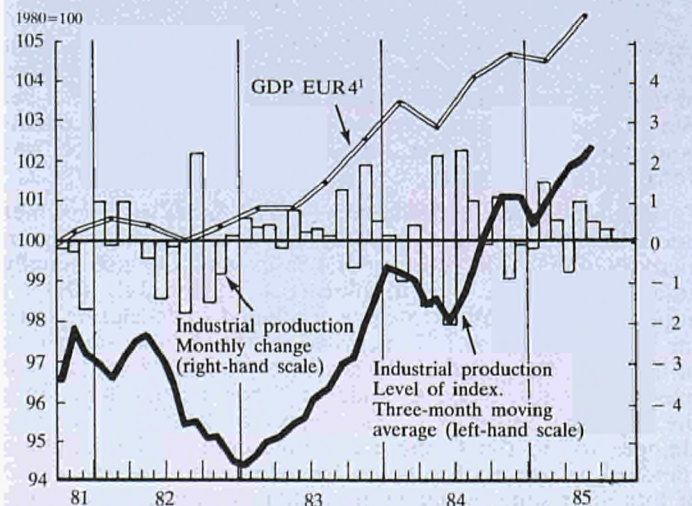
In the *United Kingdom* and *Italy* growth rates in the second quarter were 4,5 % and 3,2 % (s.a.a.r.) respectively.

The trend of industrial production has remained positive since February. — After rising by 1 % in May, owing to an increase recorded in all the Member States, the increase in the Community's industrial production, 0,5 % in June, slowed down slightly. In June, the index of industrial production went on rising in Germany (2,0 %), Italy (1,6 %) and the Netherlands (2,0 %), but fell in France (down 1,5 %) and the United Kingdom (down 0,6 %). For the Community as a whole the three-month moving average confirms the positive trend which began in February, marking the end of particularly unfavourable weather conditions. The trend remained up in Germany, the United Kingdom, Ireland, Belgium, Luxembourg and Greece and showed a marked

recovery in Denmark where it had fallen because of the strikes in March. The moving average did, however, fall for the second month in succession in Italy and the Netherlands and also turned down in France after a positive trend which had lasted for several months.

Unemployment rate slightly up in June. — The unemployment rate (s.a.) for the Community as a whole remained unchanged in July, after rising from 11,1 % in May to 11,2 % in June. The rate has fallen in Belgium since May and, more recently, in Luxembourg. There was no change in Germany, the United Kingdom and Italy. In all the other Member States, the unemployment rate rose, by one tenth of a

GRAPH 1: Industrial production and gross domestic product (s.a.) - EUR total



¹ France, Germany, Italy and UK: quarterly figures

TABLE 1 : Major supply and demand components at constant prices
(Percentage change on preceding period, annual rates: seasonally adjusted)

	GDP ¹	Imports ²	Exports ²	Foreign balance ^{1,2}	Domestic demand	Change in stocks ³	Final domestic demand	Gross fixed investment	Government consumption	Private consumption
EUR 4										
1982 Q3	-1.2	-5.3	-5.7	-0.1	-1.1	-1.2	0.1	-0.2	0.5	0.1
Q4	1.1	-5.9	1.9	2.1	-1.0	-3.0	2.1	-0.4	1.5	3.0
1983 Q1	2.8	6.2	2.6	-0.9	3.8	2.9	0.8	-2.4	3.0	1.2
Q2	0.7	4.0	6.4	0.6	0.1	-0.5	0.7	0.3	1.0	0.7
Q3	2.1	1.4	-0.9	-0.6	2.8	0.9	1.8	3.8	0.5	1.6
Q4	4.0	14.7	14.4	0.0	4.0	0.6	3.5	8.3	2.4	2.3
1984 Q1	3.7	4.7	12.3	2.0	1.7	1.7	0.0	-1.4	0.4	0.3
Q2	-2.6	3.5	-3.8	-2.0	-0.6	-1.1	0.5	-4.5	3.0	1.4
Q3	4.9	4.5	9.4	1.3	3.5	1.0	2.5	8.1	3.3	0.5
Q4	2.4	15.8	17.3	0.5	2.0	0.7	1.3	5.1	0.2	0.4
1985 Q1	-0.6	3.4	2.0	-0.4	-0.2	0.9	-1.1	-9.6	-1.7	1.9
Q2	4.1	1.2	7.1	1.7	2.4	-1.0	3.5	2.3	3.2	4.0
Federal Republic of Germany										
1983 Q3	-0.1	-2.2	-9.5	-2.4	2.5	2.3	0.1	1.0	1.6	-0.8
Q4	5.2	16.1	18.5	1.1	4.2	0.1	4.1	13.4	3.8	1.0
1984 Q1	5.6	6.8	17.0	3.2	2.4	4.3	-2.0	-10.0	-1.0	1.0
Q2	-6.3	-1.4	-4.4	-1.0	-5.5	-4.2	-1.2	-13.9	5.9	1.3
Q3	9.0	1.1	11.5	3.3	5.7	0.7	4.9	19.2	2.6	1.0
Q4	3.1	10.9	20.6	3.4	-0.2	-1.8	1.6	11.0	4.7	-2.8
1985 Q1	-4.6	7.2	2.1	-1.3	-3.4	7.5	-10.7	-36.8	-6.5	-0.4
Q2	5.6	-0.7	9.6	3.5	2.2	-6.9	10.2	26.6	5.8	6.5
France										
1983 Q3	-0.4	-4.9	1.0	1.5	-1.9	-1.9	0.1	2.0	0.8	-0.7
Q4	2.9	14.5	13.2	-0.2	3.2	0.7	2.5	-0.7	0.4	3.9
1984 Q1	3.2	1.9	9.7	1.9	1.3	1.7	-0.4	-4.4	3.0	0.2
Q2	-1.5	0.3	-5.0	-1.3	-0.2	1.3	-1.5	-2.8	-3.9	-0.6
Q3	4.1	1.3	11.5	2.4	1.6	1.5	0.1	-1.2	2.1	0.1
Q4	-0.4	9.5	6.1	-0.7	0.3	0.9	-0.6	-2.0	-1.7	0.1
1985 Q1	-1.1	0.8	-3.5	-1.1	0.0	-3.4	3.5	-2.2	0.5	5.9
Q2	2.3	0.5	2.6	0.5	1.7	1.0	0.8	2.3	-0.8	0.6
United Kingdom⁴										
1983 Q3	6.6	5.2	3.7	-0.3	7.0	1.7	5.2	7.4	-2.9	7.6
Q4	2.9	18.0	14.3	-0.8	3.7	-0.5	4.2	18.2	1.5	1.4
1984 Q1	2.7	-0.9	8.7	2.6	0.1	-1.3	1.5	13.0	-1.7	-0.7
Q2	-2.8	16.6	-1.9	-4.6	2.0	-1.4	3.4	6.0	5.1	2.1
Q3	0.1	6.0	3.4	-0.7	0.8	0.6	0.2	-0.3	6.0	-1.6
Q4	9.2	22.1	29.9	1.8	7.2	4.3	2.8	5.2	-5.9	5.3
1985 Q1	2.7	-0.6	8.3	2.6	0.1	-4.0	4.3	26.4	1.1	-0.9
Q2	4.5	-5.6	3.3	2.7	1.9	4.0	-2.1	-28.1	3.7	5.9
Italy										
1983 Q3	4.3	11.9	11.4	0.3	4.2	1.0	3.1	7.9	2.7	2.0
Q4	4.3	9.3	7.6	0.0	4.6	1.6	2.8	1.9	2.9	3.0
1984 Q1	2.2	10.2	9.8	0.3	1.9	0.1	1.9	5.6	2.9	0.7
Q2	2.6	2.5	-3.7	-1.5	4.4	1.5	2.8	0.9	2.7	3.3
Q3	4.4	12.6	10.1	-0.1	4.7	0.7	4.0	11.6	2.4	2.6
Q4	-2.3	24.7	8.7	-2.8	0.6	-0.8	1.5	3.9	2.1	0.7
1985 Q1	3.2	4.3	0.1	-1.0	4.4	0.8	3.5	5.3	1.8	3.5
Q2	3.4	12.7	11.4	0.0	3.5	0.4	3.1	4.9	1.8	2.9

¹ FR of Germany: GNP.

² Goods and services; including intra-Community trade; FR of Germany: including factor incomes.

³ Change on previous period as a percentage of previous period's GDP.

⁴ The GDP series for the United Kingdom present the estimates from the expenditure side at market prices. The estimates from the expenditure, output, and income sides at factor cost give for the period considered, substantially different results:

GDP change estimated from the side of	1983		1984				1985	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Expenditure	6.8	2.3	2.7	-4.1	0.4	9.5	3.8	5.3
Output	6.8	4.7	2.3	-0.4	3.8	4.2	4.5	4.1
Income	1.5	4.7	1.9	-1.5	9.4	3.0	5.6	4.8
Average	4.8	3.9	2.3	-1.9	4.3	5.8	4.5	4.9

Source: Federal Republic of Germany (Bundesbank), France (INSEE), Italy (ISCO) and the United Kingdom (CSO). Figures for Germany do not include the adjustment for calendar irregularities.

percentage point (except for Denmark, where it rose from 8,8 % to 9,1 %). Over the twelve-month period, the number of unemployed increased, within the Community, by 3,3 %. But in four countries, Denmark, the Netherlands, Luxembourg and Belgium, the July number of unemployed was down on a year earlier.

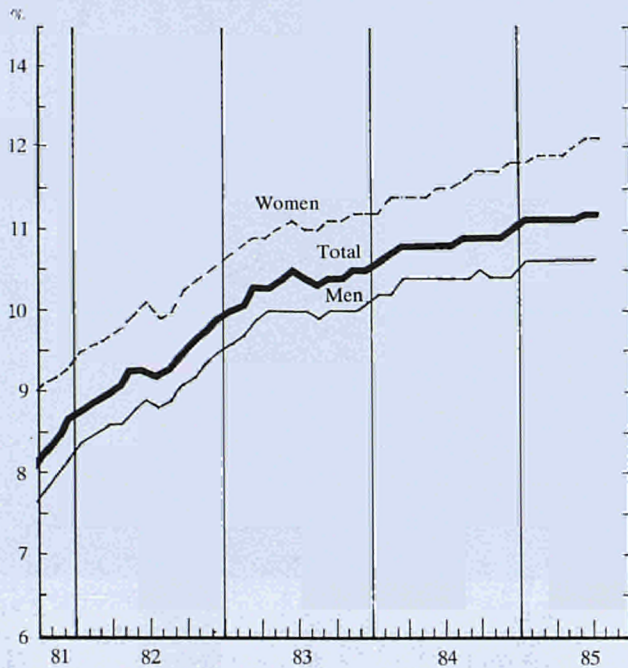
Further slowdown in inflation. — The index of consumer prices in the Community rose by 0,1 % in July following an increase of 0,3 % in June and 0,4 % in May. On a seasonally adjusted basis the rises in June (0,4 %) and July (0,3 %) imply that the monthly rate has continued to decelerate since the peak of nearly 0,7 % recorded in March. The trend rate of inflation, measured as the seasonally adjusted annual rate over six months, eased to under 6 % for the first time since the beginning of the year. The degree of divergence in price changes within the Community, measured as the weighted standard deviation of inflation trends in each country, eased in July after some widening in earlier months caused by the upward drift in inflation trends in the United Kingdom and Italy. The index of consumer prices in the Community in July

was 5,8 % higher than a year earlier with changes over 12 months ranging from 2,3 % in Germany to 16,7 % in Greece.

Improvement in Community's visible trade balance. — The Community's visible trade deficit fell to 768 million ECU, seasonally adjusted, in May 1985 as against 2 137 million ECU in April (Table A.5). A three-month moving average of the figures also shows an improvement, the average deficit for the three months ending in May being 1 959 million ECU as against 2 995 million for the three months ending in April. Nonetheless, the three-month moving average of the deficit is, in annualized terms, still no lower than for 1984 as a whole and somewhat more than for 1983. Among Member States, the surplus continued to rise in Germany in May, reaching 3 125 million ECU; it fell back slightly in June, but remained above the April level. The UK deficit in May was again sharply lower, after the very high levels recorded in the early months of the year. There was also some improvement in May in the Italian deficit, but little change in that of France. The Dutch visible trade balance has been behaving irregularly in recent months, but there seems to be some indication that

GRAPH 2 : Unemployment (s.a.), EUR9

Number unemployed as % of civilian labour force

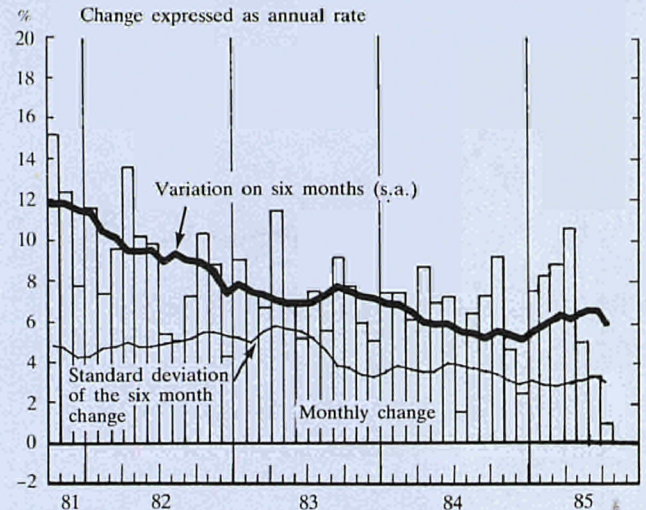


the very large surplus of 1984 may not be matched in 1985. The deficit of the BLEU has been smaller in recent months than the heavy deficits of the early months of the year. By contrast, the Danish balance, despite a small surplus in June, shows signs of a deteriorating trend. Ireland returned to recording surpluses in May and June after a deficit in April.

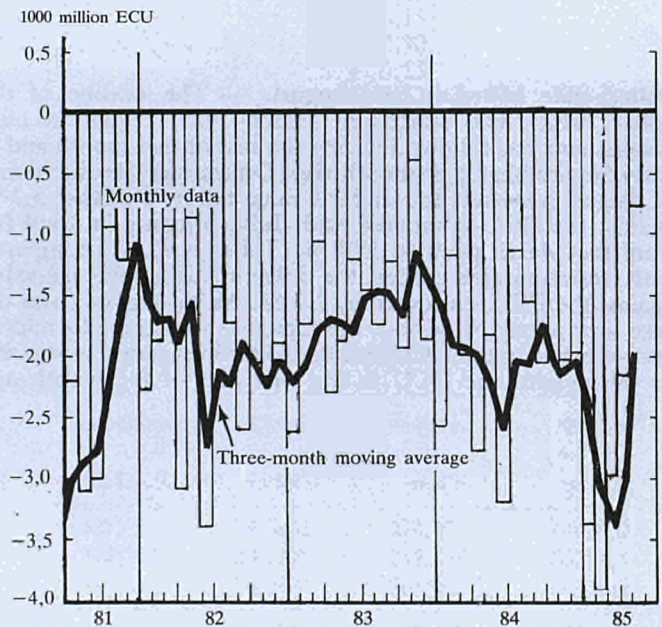
Money supply growth buoyant in April and weak in May. — In April 1985, money supply grew by an average of 1,1 % (s.a.) for the Community, i.e. by two-tenths of a percentage point more than in March, mainly because of relatively substantial money creation in Denmark, Greece, Ireland, Italy and the United Kingdom. But in May average money supply remained virtually static (up 0,1 %) : it declined in France and the Netherlands and grew less fast in the other Member States with the exception of Greece, where the rate of money creation was still accelerating. Preliminary figures available for June and July indicate that the month-to-month trend is still irregular, particularly in the United Kingdom, where sterling M_3 , after growing by 2,3 % in June, decreased by 0,7 % in July : these contradictory movements are due to distortions caused by the over-subscription of the sale of shares in the insurance sector.

Interest rates continue to ease. — In July and August, interest rates continued to ease in the Community. At the end of August, the Community average stood at 9,3 %, eight-tenths of a percentage point lower than at the end of June. This was the first time since 1979 that short-term rates for the Community as a whole had averaged under 10 %. In July, rates fell in all the Member States except Belgium which raised the discount rate from 9,25 % to 10 % in two stages to cope with strains on the foreign exchange market. In the same month, the United Kingdom twice lowered the base rate by half a percentage point. In August, the cost of money continued to ease in the Community, apart from Belgium, Greece, and to a lesser extent the United Kingdom. On 15 August, the German and Netherlands central banks lowered their discount rates by half a percentage point. However, the rates on United States three-month Treasury bills firmed slightly, bringing the positive differential between the average short-term rate in the Community and the United States rate down from 3,3 percentage points in June to 1,9 points at the end of August. Long-term rates went on falling in the Community in July with the average declining by three-tenths of a point to stand at 10,1 %.

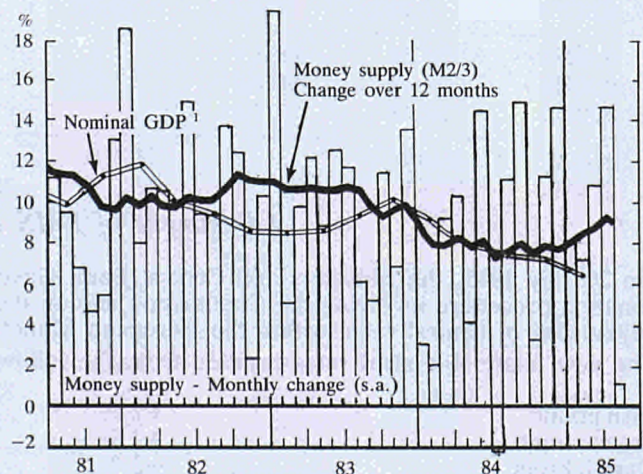
GRAPH 3 : Consumer prices EUR10



GRAPH 4 : Trade balance (s.a.) EUR10

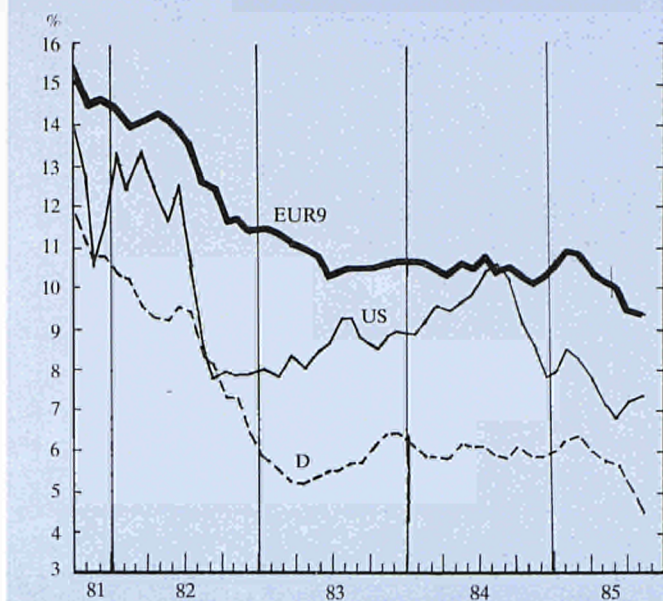


GRAPH 5 : Money supply (EUR10) and nominal GDP (EUR4)

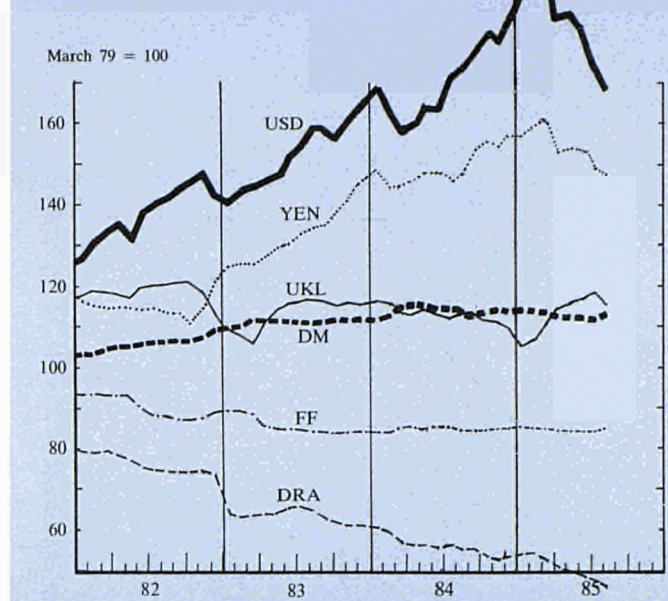


¹ Change over the same quarter of previous year.

GRAPH 6 : Short-term interest rates



GRAPH 7 : Long-term interest rates



Dollar slide halted in mid-August. — The decline of the dollar, which had started in March 1985, ceased in mid-August and was followed during the rest of that month and in early September by a smooth rise. On average for the month of August however, the dollar's value fell by a further 3,3 % against the ECU compared with July, bringing its total fall from the March peak to 15,4 % (Table A.9). As compared with twelve months earlier, the dollar's August-average value against the ECU was down by 2,7 %. As has tended to be the case over a lengthy period, the Japanese yen steered a middle course between the ECU and the dollar in August, continuing its fall against the ECU in the first half of the month and

recovering thereafter. Its August-average value against the ECU was down by 1,6 % as compared with July and by 8,0 % as compared with March 1985.

Within the exchange-rate mechanism of the EMS there was little change in August following the devaluation of the lira in July. The lira and the Irish pound remained at the top of the fluctuation band throughout the month, while the Belgian franc remained at the bottom. No currency approached its divergence threshold. Sterling, which had risen by 2,1 % against the ECU between June and July, slipped back in August, falling by 2,8 % on average for the month.

20 September, 1985

Adjustment of EMS central rates on 20 July 1985

On 20 July 1985, the Ministers and Central Bank Governors of the EEC Member Countries, by mutual agreement, in a common procedure involving the Commission and on the basis of a proposal from the Monetary Committee, decided on an adjustment of central rates within the European Monetary System.

The new bilateral central rates resulted from the following relative changes :

Irish pound	+2 %	German mark	+2 %
French franc	+2 %	Belgian franc	+2 %
Danish krone	+2 %	Luxembourg franc	+2 %
Dutch guilder	+2 %	Italian lira	-6 %

The agreed modifications resulted in the actual bilateral percentage changes shown in Table 2.

TABLE 2 : Percentage changes of bilateral central rates of currency in row against currency in column

	BFR	DM	HFL	DKR	FF	IRL	LIT	UKL	DRA
BFR	0,0	0,0	0,0	0,0	0,0	0,0	8,5	-5,1	15,3
DM	0,0	0,0	0,0	0,0	0,0	0,0	8,5	-5,1	15,3
HFL	0,0	0,0	0,0	0,0	0,0	0,0	8,5	-5,1	15,3
DKR	0,0	0,0	0,0	0,0	0,0	0,0	8,5	-5,1	15,3
FF	0,0	0,0	0,0	0,0	0,0	0,0	8,5	-5,1	15,3
IRL	0,0	0,0	0,0	0,0	0,0	0,0	8,5	-5,1	15,3
LIT	-7,8	-7,8	-7,8	-7,8	-7,8	-7,8	0,0	-12,5	6,3
UKL	5,4	5,4	5,4	5,4	5,4	5,4	14,3	0,0	21,5
DRA	-13,3	-13,3	-13,3	-13,3	-13,3	-13,3	-5,9	-17,7	0,0

The new ECU central rates (in units of national currency per ECU) resulting from this adjustment and the percentage changes with respect to the rates in force since March 21, 1983 were the following :

	New central rate	% change
BFR	44,8320	+ 0,15
LFR	44,8320	+ 0,15
DM	2,23840	+ 0,15
HFL	2,52208	+ 0,15
DKR	8,12857	+ 0,15
FF	6,86402	+ 0,15
LIT	1520,60	- 7,70
IRL	0,724578	+ 0,15
UKL	0,555312	+ 5,52
DRA	100,719	-13,14

Table 3 shows the matrix of new bilateral central rates and intervention limits applicable as from 22 July 1985.

TABLE 3: Bilateral central rates and intervention margins for currencies participating ¹ in the EMS exchange rate mechanism as from 22 July 1985

		Amsterdam in HFL	Brussel/ Bruxelles in BFR/LFR	Frankfurt in DM	København in DKR	Dublin in IRL	Paris in FF	Roma in LIT
100 HFL	+ 2,25 % central rate - 2,25 %	100	1818,- 1777,58 1738,-	90,770 88,7526 86,780	329,63 322,297 315,13	29,3832 28,7295 28,0904	278,35 272,158 266,10	64020,0 60291,5 56786,0
100 BFR/LFR	+ 2,25 % central rate - 2,25 %	5,7535 5,62561 5,5005	100	5,106 4,99288 4,882	18,543 18,1312 17,727	1,6530 1,61621 1,5803	15,659 15,3106 14,97	3601,40 3391,77 3194,30
100 DM	+ 2,25 % central rate - 2,25 %	115,235 112,673 110,1675	2048,35 2002,85 1958,50	100	371,40 363,141 355,06	33,1015 32,3703 31,6455	313,63 306,648 299,85	72131,0 67932,5 63978,0
100 DKR	+ 2,25 % central rate - 2,25 %	31,7325 31,0273 30,3375	564,10 551,536 539,30	28,165 27,5375 26,925	100	9,1168 8,91396 8,7157	86,365 84,4432 82,565	19863,0 18706,9 17618,0
1 IRL	+ 2,25 % central rate - 2,25 %	3,5600 3,48075 3,4030	63,2810 61,8732 60,4965	3,160 3,08925 3,021	11,4735 11,2184 10,9687	1	9,6885 9,47313 9,2625	2228,29 2098,6 1976,46
100 FF	+ 2,25 % central rate - 2,25 %	37,58 36,7434 35,925	668,- 653,144 638,60	33,350 32,6107 31,885	121,11 118,423 115,78	10,7964 10,5562 10,3214	100	23522,0 22153,2 20863,0
1000 LIT	+ 6 % central rate - 6 %	1,76100 1,65861 1,56200	31,305 29,4831 27,765	1,5630 1,47205 1,3865	5,676 5,34563 5,035	0,505956 0,476508 0,448775	4,7930 4,51402 4,2515	1000,-
1 ECU	central rate	2,52208	4,8320	2,23840	8,12857	0,724578	6,86402	1520,60

¹ The UKL and DRA do not participate in the exchange rate mechanism of the EMS. Their theoretical central rates in ECUs are 0,555312 UKL and 100,719 DRA respectively.

TABLE A.1 : Industrial production¹ - Percentage change on preceding period (s.a.)

	1980	1981	1982	1983	1984	1984			1985		1984	1985						Change over 12 months % ²
						II	III	IV	I	II		Dec.	Jan.	Feb.	March	April	May	
B	-1.3	-2.7	0	2.0	2.6	0.2	1.8	-0.2	0.9	:	5.5	-5.0	2.3	3.6	-3.6	0.1	:	2.2
DK	0.2	0	2.7	3.2	9.7	0	2.4	5.1	-5.8	:	-4.4	3.0	-3.0	-11.4	7.4	8.5	:	1.7
D	0.2	-1.9	-2.9	0.6	3.0	-4.4	6.1	1.6	0.6	1.0	-0.3	0.3	-0.3	0.9	-0.5	0.9	2.0	13.6
GR	0.9	-0.6	-4.2	-0.7	3.5	0.1	0.4	0	-1.4	:	-5.1	4.1	0.9	-2.7	0.2	4.8	:	2.6
F	-0.7	-2.3	-1.5	0.8	3.1	-1.3	3.1	-2.5	-0.8	0.8	-2.3	-2.3	4.8	1.5	-2.2	1.5	-1.5	0.7
IRL	-0.8	2.2	0.3	6.5	12.9	7.9	-2.8	5.7	-0.3	:	1.8	-5.1	0.1	8.4	-5.9	0.8	:	4.5
I	5.5	-1.6	-3.0	-3.2	3.1	0.6	1.8	-1.8	1.8	-0.1	0.5	-3.9	8.8	0.3	-4.3	1.3	1.6	3.2
L	-3.3	-5.7	0.9	5.4	13.3	2.1	3.0	3.1	0.1	:	3.7	-2.3	-3.8	6.4	0.8	:	:	9.5
NL	-1.0	-2.0	-4.1	2.1	5.2	1.0	0.3	-1.3	6.3	-4.4	-2.0	8.0	-2.8	2.9	-6.5	1.0	2.0	2.1
UK	-6.6	-3.4	1.9	3.6	1.2	-1.9	-0.1	1.1	2.0	2.2	0.6	1.3	-0.1	1.4	1.0	0.6	-0.6	4.4
EUR10	-0.5	-2.3	-1.5	0.8	2.8	-1.1	2.3	0.5	0.5	(1.0)	-0.1	-0.3	1.5	0.6	-0.8	(1.0)	(0.5)	(5.7)
USA	-4.5	2.5	-8.5	7.8	11.1	2.2	1.7	-0.4	0.2	:	0	0	0.4	-0.2	0.2	(0)	:	(1.7)
JAP	4.7	1.0	0.3	3.6	11.1	2.8	1.6	2.7	-0.7	2.7	-0.6	0.2	-0.1	-1.4	2.8	2.4	(-2.0)	(4.6)

TABLE A.2 : Unemployment rate - Number of unemployed as percentage of civilian labour force (s.a.)

	1980	1981	1982	1983	1984	1984			1985		1984	1985						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	9.1	11.1	13.0	14.3	14.4	14.3	14.3	14.3	14.5	(14.4)	14.6	14.4	14.4	(14.5)	(14.5)	(14.2)	(14.1)	(-1.5)
DK	6.7	8.9	9.5	10.2	9.8	9.9	10.0	9.4	9.4	(8.8)	9.4	9.5	9.2	(8.9)	(8.9)	(8.8)	(9.1)	(-11.5)
D	3.3	4.7	6.8	8.4	8.4	8.4	8.4	8.2	8.5	8.5	8.5	8.5	8.6	8.5	8.5	8.5	8.5	0.9
F	6.4	7.7	8.7	8.8	9.9	9.8	10.0	10.4	10.5	10.4	10.5	10.5	10.4	10.3	10.4	10.3	10.4	3.4
IRL	8.2	10.2	12.2	14.9	16.3	16.3	16.4	16.6	17.0	17.3	16.9	17.1	17.0	17.1	17.2	17.5	17.6	8.9
I	7.2	8.0	9.7	10.9	11.9	11.9	11.9	12.1	12.4	12.8	12.4	12.4	12.5	12.6	12.6	13.0	13.0	10.9
L	0.7	1.0	1.3	1.6	1.7	1.6	1.7	1.7	1.6	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.6	-6.8
NL	6.2	8.8	11.7	14.0	14.3	14.5	14.2	13.7	13.4	13.1	13.4	13.4	13.3	13.2	13.1	12.8	12.9	-7.0
UK	(6.0)	(9.2)	(10.6)	11.6	11.8	11.8	11.8	11.9	12.0	12.2	12.0	12.0	12.0	12.1	12.2	12.2	12.2	4.3
EUR9	(5.8)	(7.6)	(9.2)	10.3	10.9	10.8	10.9	10.9	11.1	(11.1)	11.1	11.1	11.1	(11.1)	(11.1)	(11.2)	(11.2)	(3.3)
USA ³	7.1	7.6	9.7	9.6	7.5	7.5	7.5	7.2	7.3	7.3	7.4	7.3	7.3	7.3	7.3	7.3	:	2.0
JAP ⁴	2.0	2.2	2.4	2.7	2.7	2.7	2.8	2.7	2.5	2.5	2.4	2.6	2.6	2.4	2.5	2.6	:	(-6.7)

TABLE A.3 : Consumer price index - Percentage change on preceding period

	1980	1981	1982	1983	1984	1984			1985		1984	1985						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	6.6	7.6	8.7	7.7	6.4	1.4	1.2	0.9	1.8	1.3	0.6	1.0	0.8	0.4	0.1	0	0.5	5.1
DK	:	11.7	10.1	6.9	6.3	1.8	1.0	1.4	1.3	1.5	0.5	0.6	0.8	0.3	0.7	0	(-0.4)	(4.6)
D	5.4	6.3	5.3	3.3	2.4	0.5	0	0.7	1.1	0.6	0.6	0.4	0.3	0.2	0.1	0.1	-0.2	2.3
GR	24.9	24.5	21.0	20.5	18.3	5.6	1.7	5.5	4.5	4.5	2.3	-0.2	2.9	1.6	0.7	1.8	-0.7	16.7
F	:	13.4	11.8	9.6	7.3	1.8	1.7	1.4	1.4	1.8	0.5	0.5	0.7	0.7	0.5	0.4	(0.4)	(6.1)
IRL ⁷	:	20.4	17.2	10.4	8.6	2.2	1.2	0.7	1.9	1.3	(0.6)	(0.6)	(0.4)	(0.4)	(0.4)	:	:	5.2
I	21.2	17.8	16.5	14.7	10.8	2.3	1.4	2.4	2.9	2.4	1.1	1.2	0.8	0.8	0.7	0.5	(0.3)	(9.5)
L	6.3	8.1	9.4	8.7	5.6	1.1	0.6	1.1	1.0	1.6	0.3	0.6	0.5	0.9	0.1	0.2	0.5	4.7
NL	:	6.7	5.7	2.7	3.2	0.9	0.1	1.1	0.2	1.0	-0.2	0.3	0.7	0.4	0.1	-0.1	(-0.2)	(2.4)
UK	18.0	11.9	8.6	4.6	5.0	2.0	0.9	1.2	1.3	3.4	0.4	0.8	0.9	2.1	0.5	0.2	-0.2	6.9
EUR10	:	11.7	10.1	7.6	6.3	1.6	0.9	1.5	1.6	1.9	0.6	0.7	0.7	0.8	0.4	0.3	(0.1)	(5.8)
USA	13.5	10.3	6.2	3.2	4.3	1.1	1.1	0.7	0.7	1.1	0.2	0.4	0.5	0.4	0.2	0.2	:	3.6
JAP	8.0	4.9	2.7	1.9	2.2	0.9	-0.2	1.2	0.1	0.9	0.5	-0.8	0.4	0.5	0.4	0.1	0.3	2.7

TABLE A.4 : Volume of retail sales - Percentage change on preceding period (s.a.)

	1980	1981	1982	1983	1984	1984			1985		1984	1985						Change over 12 months % ²
						II	III	IV	I	II		Jan.	Feb.	March	April	May	June	
B	:	-3.3	-1.3	-7.1	-1.8	-3.5	1.7	-1.0	0	:	-2.8	4.0	-4.0	1.7	0.5	:	:	2.5
DK	:	-0.6	1.7	1.6	3.0	1.0	0.1	0.3	-2.1	1.3	-1.3	-0.9	-1.1	-0.1	-1.4	5.9	-2.1	-3.0
D	:	-1.5	-3.7	0.9	-0.2	1.0	-0.8	-1.4	-0.4	1.7	-2.6	6.7	-6.4	-1.6	5.9	1.9	-5.6	-3.5
GR	:	-3.3	-4.1	-0.5	4.3	3.7	-0.8	-1.7	-4.4	:	0.3	-10.9	7.6	-0.7	-0.9	-0.7	:	-3.6
F	:	-2.2	1.3	-3.1	-5.0	-2.4	-2.0	-2.1	1.4	:	-1.5	3.1	-2.9	0.7	0.9	1.6	:	-2.4
IRL	:	-0.6	-5.4	-3.5	-1.4	1.9	-1.6	1.4	-2.3	:	0.6	-1.2	-1.4	2.0	-0.9	:	:	-2.3
I ⁸	:	2.9	3.9	2.4	9.3	3.9	0.2	3.5	-1.7	:	1.9	-2.0	-3.7	3.5	-2.4	4.7	:	6.7
L ⁸	:	3.9	4.6	-5.0	-2.1	-1.3	-1.5	1.2	1.3	:	-4.4	3.3	-0.8	1.3	-3.1	2.8	:	1.5
NL	:	-3.6	-2.9	-1.9	-2.7	-1.6	0.3	-0.3	0.3	0.8	-6.6	2.4	-0.1	1.2	-2.0	5.6	-4.7	-4.6
UK	:	0.2	2.0	4.8	3.4	2.3	0.7	2.2	-0.9	2.2	2.6	-3.5	0.4	1.6	0.3	0.4	1.2	4.8
EUR10	:	-0.7	0.1	0.6	1.4	0.9	-0.4	0.4	-0.5	:	-0.5	1.2	-3.1	0.9	0.7	(2.3)	:	(1.8)
USA	-3.0	1.1	-1.0	7.1	8.4	2.6	-0.8	1.6	1.0	:	0.3	0.1	0.8	-0.5	(1.8)	(-0.4)	:	(3.4)
JAP ⁹	-1.1	1.8	0.7	0.9	3.1	-0.7	1.8	-1.9	4.0	:	1.0	3.8	-1.7	2.1	(-0.5)	(-1.4)	:	(4.0)

TABLE A.5 : Visible trade balance - fob/cif, million ECU (s.a.)

	1980	1981	1982	1983	1984	1984			1985		1984	1985						Change over 12 months %
						II	III	IV	I	II		Dec.	Jan.	Feb.	March	April	May	
B/L	-4993	-5418	-3082	-2435	-4897	-1276	-1478	-1306	-1501	:	-262	-554	-768	-178	-375	-114	:	328
DK	-2116	-1475	-1866	-740	-1108	-383	-188	-204	-494	-306	21	-174	-125	-196	-160	-216	69	181
D	3615	11239	21599	18501	24136	3846	5614	8377	6589	8631	2260	2010	2156	2424	2707	3125	2799	2095
GR	-3853	-3951	-5826	-5800	-6048	-1011	-1146	-2073	:	:	-1259	-666	-563	:	:	:	:	-171
F	-16948	-17283	-24457	-15628	-13130	-3332	-2450	-2736	-3810	:	-566	-1470	-1610	-730	-1277	-1240	:	864
IRL	-1893	-2467	-1574	-621	81	195	26	-32	195	(63)	66	-29	72	153	-109	28	(144)	(29)
I	-15307	-13554	-12513	-8516	-13849	-3872	-2230	-5148	-5505	:	-1122	-1773	-1924	-1808	-2046	(-1775)	:	(-98)
NL	-2981	1320	3500	4499	4740	1858	589	1419	492	:	444	142	387	-36	670	182	:	-577
UK	-3353	-445	-3295	-9681	-14005	-3686	-3876	-3930	(-4514)	(-1926)	-1265	-1008	-1489	-2017	-1074	-238	-614	121
EUR10 ⁹	-47829	-32033	-27515	-20422	-24080	-7810	-5221	-6016	(-10228)	:	-1981	-3382	-3875	(-2971)	(-2137)	(-768)	:	(1069)
USA	-26113	-35538	-43518	-77969	-156288	-36181	-46099	-38116	-47958	-52238	-11163	-14652	-16942	-16364	-16345	-17591	-18302	-7571
JAP	-7707	7832	7034	23072	42599	10121	9698	14810	13114	14354	5022	5699	3683	3732	3974	5126	5254	1441

TABLE A.6 : Money stock¹⁰ - Percentage change on preceding period (s.a.)

		1980	1981	1982	1983	1984	1984			1985		1985							Change over 12 months % ⁴
							II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B	(M2)	2,6	5,8	5,7	8,7	5,7	1,6	1,5	-0,5	4,1	3,9	0,7	0,7	-0,8	1,3	0,8	1,8	1,0	6,8
DK	(M2)	8,1	9,6	11,5	25,5	17,8	3,6	4,0	5,4	-0,7	3,9	-0,7	0,7	-0,8	1,3	0,8	1,8	1,0	14,7
D	(M3)	6,2	5,0	7,1	5,3	4,7	1,4	1,5	1,4	1,0	1,4	0,2	0,6	0,2	0,4	0,2	0,8	0	5,0
GR	(M3)	24,7	34,7	29,0	20,3	29,4	7,5	5,8	8,9	5,7	(7,6)	1,7	3,0	0,9	(2,9)	3,4	1,0	0	(29,9)
F	(M2R)	8,4	10,4	10,8	11,2	8,3	2,4	1,5	2,6	(1,6)	(1,3)	0,2	0,1	(1,3)	(0,5)	(-1,0)	(1,8)	0	(6,9)
IRL	(M3)	17,7	17,4	13,0	5,6	10,1	3,1	2,9	3,8	-0,4	1,3	-0,5	-1,1	1,2	2,0	0,5	-1,2	0,7	5,7
I	(M2)	12,7	9,9	16,9	13,3	12,1	2,1	3,4	2,9	4,3	0	2,2	0,8	1,3	1,3	0,7	0	0	14,4
NL	(M2)	3,8	5,3	7,6	10,4	7,7	3,4	2,6	1,1	3,6	-0,5	-1,0	2,9	1,7	0,7	0,8	-0,3	0	6,5
UK	(£M3)	18,5	13,7	8,9	10,3	9,8	2,8	1,3	3,0	2,2	5,8	1,0	0,3	0,9	2,9	0,5	2,3	-0,7	12,8
EUR10 ¹¹		10,4	9,4	10,4	10,1	8,5	2,2	1,9	2,3	(2,1)	0	0,6	0,6	(0,9)	(1,1)	(0,1)	0	0	(8,9)
USA	(M2)	8,9	10,0	9,4	11,7	8,2	1,8	1,7	2,7	2,4	1,8	1,1	0,9	0,3	-0,1	0,7	1,1	0,7	9,2
JAP	(M2)	7,2	11,0	7,9	7,3	7,9	1,4	3,1	0,8	3,5	1,4	0,5	0,9	2,0	-0,7	0,5	1,6	0	9,1

TABLE A.7 : Short-term interest rates¹²

		1980	1981	1982	1983	1984	1984			1985		1985							Change over 12 months % ⁵
							II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
B		14,2	15,6	14,1	10,5	11,5	11,9	11,0	10,7	10,7	8,9	10,7	10,7	9,8	9,3	8,9	8,9	9,5	-2,5
DK		16,9	14,9	16,4	12,1	11,5	11,7	11,3	12,0	12,0	10,3	9,2	12,0	10,5	9,4	10,3	9,5	9,3	-1,6
D		9,5	12,3	8,8	5,8	6,0	6,1	5,8	5,8	6,3	5,7	6,2	6,3	6,0	5,8	5,7	5,1	4,6	-1,3
GR		11,0	16,8	20,2	19,4	15,7	14,6	15,0	16,8	19,3	16,6	15,5	19,3	16,3	16,5	16,6	16,4	17,9	4,1
F		12,3	15,6	14,6	12,5	11,7	12,2	11,0	10,8	10,7	10,3	10,8	10,7	10,4	10,2	10,3	9,9	9,7	-1,6
IRL		16,2	16,6	17,5	14,1	13,3	12,4	13,0	15,0	13,9	11,6	14,7	13,9	12,7	12,4	11,6	10,2	10,3	-3,1
I		17,6	20,0	20,1	18,1	17,2	16,9	17,7	17,0	15,6	15,1	16,2	15,6	15,2	15,2	15,1	14,6	14,2	-2,4
NL		10,6	11,8	8,3	5,7	6,1	6,2	6,2	5,7	6,9	6,7	7,1	6,8	7,1	6,9	6,7	6,1	5,8	-0,5
UK		16,8	14,2	12,2	10,1	10,1	9,6	10,8	10,0	13,2	12,6	14,0	13,2	12,7	12,5	12,6	11,2	11,6	0,8
EUR10 ¹³		13,4	15,0	13,2	10,8	10,5	10,5	10,5	10,2	10,8	10,1	10,9	10,8	10,4	10,2	10,1	9,5	9,3	-1,1
USA		11,6	14,0	10,6	8,7	9,5	9,9	10,2	7,8	8,2	6,8	8,5	8,2	7,8	7,1	6,8	7,3	7,4	-3,2
JAP		10,9	7,4	6,9	6,4	6,1	5,9	6,3	6,4	6,4	6,1	6,2	6,4	6,1	6,0	6,1	6,2	0	0,2

TABLE A.8 : Long-term interest rates¹⁴

		1980	1981	1982	1983	1984	1984			1985		1985							Change over 12 months % ⁵
							II	III	IV	I	II	Jan.	Feb.	March	April	May	June	July	
B		12,2	13,8	13,5	11,8	12,0	12,1	11,9	11,6	11,5	10,3	11,6	11,6	11,5	11,5	10,8	10,3	10,5	-1,6
DK		18,7	19,3	20,5	14,4	14,0	14,6	14,6	14,0	13,0	11,8	13,3	13,2	13,0	12,3	11,8	11,8	10,6	-3,9
D		8,5	10,4	9,0	7,9	7,8	8,1	7,6	7,0	7,6	6,9	7,1	7,4	7,6	7,3	7,1	6,9	6,7	-1,4
GR		17,1	17,7	15,4	18,2	18,5	18,3	16,4	17,9	18,4	17,8	18,3	18,4	18,4	18,3	15,6	17,8	14,4	-3,9
F		13,7	16,3	16,0	14,4	13,4	14,0	13,1	12,7	12,3	12,1	12,1	12,3	12,3	12,0	11,7	12,1	11,9	-2,0
IRL		15,4	17,2	17,0	13,9	14,6	14,6	15,0	14,9	13,6	12,4	14,5	14,7	13,6	13,1	13,2	12,4	11,2	-3,7
I		16,1	20,6	20,9	18,0	14,9	14,9	14,5	13,9	12,8	13,3	12,3	12,4	12,8	13,3	13,4	13,3	13,3	-1,0
NL		7,4	8,6	10,4	9,8	10,3	10,4	10,4	10,0	9,7	9,6	10,0	9,8	9,7	9,7	9,7	9,6	0	-0,8
UK		10,7	12,2	10,5	8,8	8,6	8,9	8,4	7,8	8,6	7,8	7,8	8,2	8,6	8,0	7,9	7,8	7,7	-1,4
EUR10 ¹⁵		13,9	14,8	12,7	10,8	10,8	11,3	10,6	10,8	10,7	10,7	11,0	11,0	10,7	10,7	10,8	10,7	10,1	-0,6
USA		12,7	14,9	14,0	12,2	11,4	11,7	11,1	10,8	10,7	10,4	10,4	10,6	10,7	10,6	10,4	10,4	(10,1)	(-1,6)
JAP		10,8	12,9	12,2	10,8	11,2	13,0	12,0	11,2	11,8	10,4	11,2	11,4	11,8	11,4	10,9	10,4	0	(-2,6)
		9,2	8,7	8,1	7,4	6,3	7,1	6,8	6,3	6,6	6,3	6,3	6,8	6,6	6,5	6,4	6,3	6,3	-0,9

TABLE A.9 : Value of ECU - 1 ECU = ... units of national currency or SDR

		1980	1981	1982	1983	1984	1984			1985		1985							Change over 12 months % ²
							II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.	
BFR/LFR		40,60	41,29	44,68	45,44	45,44	45,59	45,25	45,01	44,66	45,12	44,68	44,80	45,03	45,09	45,23	45,30	45,05	-0,4
DKR		7,83	7,92	8,15	8,13	8,15	8,20	8,15	8,04	7,96	8,05	7,96	7,97	8,03	8,06	8,06	8,08	8,06	-1,3
DM		2,53	2,51	2,38	2,27	2,24	2,24	2,24	2,23	2,23	2,24	2,23	2,23	2,24	2,24	2,25	2,25	2,23	-0,6
DR		59,24	61,62	65,30	78,09	88,44	88,46	88,83	91,57	91,97	98,47	90,77	94,45	97,29	98,68	99,44	101,7	104,9	17,5
FF		5,87	6,04	6,43	6,77	6,87	6,87	6,87	6,84	6,81	6,83	6,80	6,81	6,82	6,83	6,84	6,84	6,80	-1,1
IRL		0,676	0,691	0,690	0,715	0,726	0,730	0,726	0,719	0,715	0,716	0,715	0,715	0,715	0,716	0,717	0,718	0,715	-1,6
LIT		1189	1263	1324	1350	1381	1382	1380	1382	1382	1430	1376	1404	1428	1429	1432	1466	1493	8,0
HFL		2,76	2,78	2,62	2,54	2,52	2,52	2,53	2,52	2,52	2,53	2,52	2,52	2,53	2,53	2,53	2,53	2,50	-0,9
UKL		0,598	0,553	0,561	0,587	0,591	0,591	0,592	0,601	0,614	0,578	0,617	0,602	0,584	0,578	0,572	0,560	0,576	-2,6
USD		1,391	1,116	0,981	0,890	0,789	0,825	0,768	0,731	0,684	0,726	0,676	0,675	0,725	0,720	0,733	0,772	0,798	2,8
YEN		315,0	245,4	243,5	211,4	187,0	189,5	186,9	179,8	176,1	182,0	175,9	174,2	182,3	181,2	182,4	186,3	189,3	0,7
SDR		1,068	0,946	0,888	0,833	0,767	0,789	0,757	0,732	0,707	0,732	0,702	0,700	0,731	0,728	0,735	0,757	0,772	1,0

TABLE A.10 : Effective exchange rates: export aspect¹⁵ - Percentage change on preceding period

	Percentage change on preceding period																		Change over 12 months % ²
	1980	1981	1982	1983	1984	1984			1985		1985								
						II	III	IV	I	II	Feb.	March	April	May	June	July	Aug.		
B/L	-0,5	-5,3	-9,2	-2,5	-1,8	0,6	0	-0,3	0,1	0	-0,7	-0,2	0,6	-0,2	-0,1	0,5	0,9	1,0	
DK	-7,9	-6,8	-4,0	-0,1	-2,9	-0,3	-0,5	0,4	0,3	0	-0,8	-0,1	0,6	-0,5	0,2	0,5	1,1	2,3	
D	0,4	-5,2	5,1	4,2	-1,0	0,4	-1,4	-0,9	-0,7	1,0	-0,6	0	1,4	-0,4	0,2	0,9	2,0	2,0	
GR	-13,5	-9,4	-7,3	-18,0	-14,4	-4,1	-1,7	-4,2	-1,5	-4,9	-0,7	-3,7	-1,1	-1,6	-0,3	-1,0	-2,3	-13,7	
F	0,4	-8,6	-8,0	-6,7	-4,2	0,4	-1,2	-0,8	-0,4	1,3	-0,4	0	1,6	-0,3	0,3	1,2	1,6	2,8	
IRL	-2,0	-8,3	-1,1	-3,4	-3,6	0,2	-0,7	0,4	0,1	-0,2	-0,9	-0,4	0,8	-0,5	0	0,3	1,7	2,0	
I	-3,7	-12,2	-6,7	-3,5	-5,3	-0,1	-1,1	-1,5	-1,1	-1,9	-1,2	-2,1	-0,1	-0,2	0,2	-1,4	-1,2	-6,9	
NL	0,1	-5,0	5,5	2,3	-1,5	0,4	-1,2	-0,6	-0,8	0,7	-0,7	0,1	0,9	-0,2	0,3	0,7	1,7	1,7	
UK	10,1	1,1	-4,6	-7,0	-4,4	-2,2	-1,8	-3,4	-3,6	9,1	0,2	2,7	5,9	1,0	1,6	3,8	-2,0	4,3	
ECU	2,2	-14,9	-5,5	-5,3	-8,2	-0,5	-3,2	-3,3	-2,7	4,4	-1,5	0,2	4,7	-0,4	1,1	2,6	1,8	2,5	
USA	-0,3	14,0	12,1	7,1	8,9	1,0	6,3	3,2	6,2	-3,4	3,6	0,6	-4,8	0,5	-1,3	-4,0	-2,2	-0,5	
JAP	-4,1	14,0	-4,8	11,5	6,6	1,3	-1,9	1,3	-0,6	0,4	-0,1	1,3	-0,7	0,1	0,3	0,3	0,2	2,0	

Principal economic policy measures — July/August 1985

Community (EUR)

8.7 The Council (Economic and Financial Affairs) held its second-quarter examination of the economic situation in the Community, in accordance with Article 3 of the 1974 «Convergence» Decision, on the basis of the Commission communication entitled «The economic outlook for 1986 and the Member States' fiscal policies» (COM (85) 336 final) and in the light of a statement by the Chairman of the Coordinating Group for Economic and Financial Policies. In conclusion, it endorsed the Commission's opinion that it was not necessary at this stage to adjust the economic policy guidelines for 1985 as adopted by the Council of 19 December 1984.

20.7 Ministers and Central Bank Governors of the Member States decided on an adjustment of central rates within the European Monetary System (see box in this issue).

Belgium (B)

10.7 The Banque Nationale raised the discount rate and the rate for advances by 0,25 % to 9,75 % and 10 % respectively.

1.8 The Banque Nationale again raised the official rates by 0,50 %.

1.8 A law containing tax measures for the period 1986-1989 was voted; it provides for the progressive adjustment of personal taxation. At the end of the period, present tax rates will be 2,25 % lower and tax allowances and thresholds will be fully indexed. For the same period, a law containing social measures adds a programme for the gradual increase of family allowances.

Denmark (DK)

15.8 The central government submitted its draft budget for 1986 to the parliament. Disregarding net interest payments total revenue should grow by 6,1 % to 217,2 bn Dkr while total expenditure, unchanged in real terms, would grow by 1,4 % only to 188,2 bn Dkr. Including interest payments the budget deficit is reduced from 36,2 bn Dkr (6,0 % of GDP) in 1985 to 26,5 bn Dkr (4,2 % of GDP) next year.

F.R. of Germany (D)

1.7 The Federal Government decided to take measures to support investment activity and to help the adjustment process in the construction sector:

- The duration of fiscal depreciation of new industrial buildings will be reduced from 50 to 25 years in the case of straight line depreciation. In the case of degressive depreciation the rates are as follows: 4 years 10 %, 3 years 5 % and 18 years 2,5 %. These changes took effect from 31 March 1985.
- Improvement in tax allowances for heating and hot water installations in buildings older than 10 years, with effect from 30 June 1985.
- Increase in Federal Government contribution to urban renewal budget to DM 1 billion in 1986 and 1987.
- Reconstruction Loan Corporation (Kreditanstalt für Wiederaufbau) and Equalisation of Burdens Bank (Lastenausgleichsbank) will increase the volume of low interest credit to small and medium-sized enterprises and to local authorities by DM 4 billion in total.
- The funds available for the European Recovery Programme, which finances loans to small and medium-sized enterprises, for environmental purposes and for economically depressed regions, are to be increased for both 1986 and 1987 by DM 800 million.

15.8 The Central Bank Council decided to lower both the discount rate and the Lombard rate by 0,5 %. The discount rate is now at 4 % and the Lombard rate at 5,5 %.

Greece (GR)

1.7 Ministry for Public Works plans works in Athens totalling Dr 18 000 millions for the next four years.

2.7 Under a decision taken by the Governor of the Bank of Greece, private individuals will be able to purchase Treasury bills, at the issue date of 31 July 1985, for a period of three, six or twelve months and for a total value of Dr 3 000 million.

8.8 With a view to reducing the public deficit on the oil account, the government increased the price of motor fuels by 16 % from 10 August.

France (F)

1.7 Many social security benefits were improved. Retirement and early retirement pensions paid to persons under 60 years of age will be increased by 2,8 %. Guarantees of income (bridging pensions paid to persons between 60 and 65 years of age) were increased by 2,3 %. Family allowances were raised to FF 525,45 a month for two children. FF

1 182,27 for three children and FF 1 847,30 for four children. The family income supplement was increased to FF 684 a month and the young child allowance to FF 755. The allowance payable at the beginning of the school year was increased to FF 328,41. The single parent allowance was set at FF 3 284 for one child and at 4 105,12 for two. At the same time, the Social Security ceiling, which serves as a reference for certain social security contributions and for the calculation of daily sickness, maternity and industrial accident allowances, was raised to FF 9 060, an increase of 3,78 %.

2.7 The Banque de France published an instruction intended to curb the excessive growth of the money supply. The instruction concerns the three sources of money creation: movements of foreign currencies in and out of the country, Treasury borrowings and bank lending to enterprises. The three main points are the following:

- (i) the public authorities are to reduce the scope for external borrowing and to encourage certain enterprises to repay their borrowings in advance, in order to reduce the inflows into France of foreign currencies, attracted by relatively high interest rates, and to scale down the growth of foreign currency loans (not subject to the credit ceiling) to residents.
- (ii) The Treasury is to issue long-term bonds totalling FF 95 000 million in value in order to finance part of the budget deficit.
- (iii) Lending to the economy is to be tighter. In order to curb (the rise in) such lending, now rising at an annual rate of slightly over 7 %, the monetary authorities are lowering by 1,5 percentage points the references for calculating the limit above which banks are penalized.

Ireland (IRL)

None.

Italy (I)

20.7 Following an adjustment of central rates within the EMS, the Italian lira was devalued by 6 % and the other currencies revalued by 2 %.

20.7 A decree law adopted by the Government lays down the following accompanying measures:

- (i) reduction of the budgetization of Social Security contributions to an extent equivalent to LIT 866 000 million;
- (ii) heavier penalties for the late payment of social security contributions, which should bring in LIT 2 200 000 million in 1985;
- (iii) the first of the three instalments of the fine on unauthorized building was increased to 50 %, instead of 33 %: it must be paid in November 1985 and is equivalent to an increase of LIT 1 000 000 million in revenue increase;
- (iv) extension of the requirement on all public institutions to hold deposits in a unified Treasury account: this will enable the Treasury to recover LIT 2 200 000 million in 1985 and LIT 2 200 000 million in 1986.

Luxembourg (L)

19.7 The Government adopted the draft budget for 1986. The draft was based on the assumption that real GDP would grow by 2 % and the scale sliding wage would rise by 2,9 %. Total expenditure, including debt redemptions, is to amount to LFR 77 600 million, an increase of 6 % compared with the budget voted for 1985. Increases in excess of the budgetary norm set by the Government were permitted for social security allowances (sickness fund, pension fund, family allowances) and for the public service (harmonization of career brackets, increase in the base value used to calculate indexation). Public investment appropriations are over LFR 7 000 million compared with LFR 6 800 million in 1985. Total revenue (including LFR 1 000 million in borrowed funds) is to amount to LFR 77 600 million, an increase of 4,9 %. The draft budget is therefore in balance. The personal solidarity tax is reduced from 10 to 7,5 % and the company solidarity tax from 4 % to 3 % (LFR 850 million less revenue in a full year), tax allowances and thresholds are indexed (LFR 300 million less), the amount exempted under the system for deducting tax on wages and salaries was increased (LFR 200-220 million less) and certain measures were taken in favour of the financial market (LFR 500 million less).

Netherlands (NL)

16.8 The Nederlandsche Bank lowered the discount and rate for advances by 0,50 percentage points. On 1 February 1985 the rate had been raised to 5,5 %.

United Kingdom (UK)

None.

Prices (excluding VAT) in Luxembourg

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